



State of California—Health and Human Services Agency
Department of Health Services



ARNOLD SCHWARZENEGGER
Governor

June 28, 2006

AFL 06-17

TO: ALL FACILITIES LICENSED BY THE DEPARTMENT OF HEALTH SERVICES (DHS) LICENSING AND CERTIFICATION PROGRAM (L&C) UNDER CALIFORNIA HEALTH AND SAFETY (H&S) CODE SECTIONS

SUBJECT: BUDGET ACT - L&C LICENSE FEE SCHEDULE FOR 2006/2007 AND ASSESSMENT OF LATE PAYMENT PENALTIES FOR LICENSE RENEWALS

The Department of Health Services, Licensing and Certification Program (L&C) anticipates that budget trailer bill language will be approved within the next several days, which will have the effects of revising annual license fees effective July 1, 2006 and providing new authority to impose late payment penalties for license renewals.

State fiscal year 2006-07 budget trailer bill language is expected to amend Health and Safety Code (H&S) Section 1266 to change the fee setting methodology and to assess late payment penalties for delinquent license renewals for health facilities and agencies licensed by the L&C. Other changes to H&S 1266, which will be effective the date that the budget trailer bill is chaptered, include:

- Establish the L&C Program Special Fund (H&S 1266.9).
- Change the annual fee setting methodology and reporting process (H&S 1266).
- Eliminate the fee waiver for health facilities and agencies operated by non-State public agencies including counties, cities, University of California Regents, and health care districts. For the 2006-07 state fiscal year only, fees will not be assessed or collected from any general acute care hospital owned by a health care district with 100 beds or less (H&S 1266(f)).
- Establish late payment penalties for license renewals (Attachment B)

To implement these changes and to effectively manage the new L&C Program Special Fund, L&C has established a Fee Development & Revenue Collection Unit in the Administration Section.



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L&C Program Special Fund

H&S Code Section 1266.9 will establish the L&C Program Account, a Special Deposit Fund. License fees deposited in the new special fund will be used to support L&C Program activities. The establishment of a special fund account for all fees collected will ensure that L&C Program license fees are used only to support L&C Program activities and will help to protect L&C from future State budget uncertainties. The regulated health facility and agency community will have more information on the special fund account revenues and the uses of these funds to support regulatory compliance activities.

Change in Fee Methodology

H&S Code Section 1266 will be amended to “right-size” the license fee calculation methodology based on the workload and costs of licensing and regulating health facilities and agencies. Prior fee amounts that were set in statute will be deleted and the law will state that all health facility and agency fee amounts will be set in accordance with Section 1266. Beginning with State fiscal year 2007-08 fees, L&C will be required to publish the list of estimated fees, a report of all costs for activities of the L&C Program, and a systems and staffing analysis by February 1 of each year.

2006-07 Fee Schedule

H&S Code Section 1266(b) Section will set L&C Program fees for the 2006-07 state fiscal year. Attachment A is a listing of the fee amounts per “bed” or per “facility” by facility type. These fee amounts will be used for initial applications, annual license renewals, and applications for change in ownership (CHOWs).

For those health facilities and agencies that have already paid their license renewal fees with license expiration dates on or after July 1, 2006, a fee adjustment invoice will be generated for fees that have been increased and a refund check will be issued for fees that have been decreased.

Non-State Publicly Operated Facilities/Agencies will Pay Fees

The fee waiver will be eliminated for health facilities and agencies operated by counties, cities, University of California Regents, and health care districts. H&S Code Section 1266(f)(1) has been amended to exempt only state department, authority, bureau, commission or officers from paying license fees. Section 1266(f)(2) provides that for the 2006-07 state fiscal year, no L&C Program fee shall be assessed or collected from any general acute care hospital owned by a health care district with 100 beds or less.

Late Payment Penalties

H&S Code Section 1266.5 will provide L&C with new authority to impose late payment penalties to health facilities and agencies for delinquent license renewal payments. Attachment B is the budget bill language for Section 1266.5 that details the penalty percentages by delinquency period. Also L&C may, upon written notification to the licensee, offset against any moneys owed to the licensee by the Medi-Cal program or any other payment program administered by the Department of Health Services, to recoup the license renewal fee and any associated late payment penalties.

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Late payment penalties will be effective the date of the budget trailer bill. Late license renewal payments that are received after the chaptering date of the budget trailer bill will incur the late payment penalty, and those not received will be subject to offset for the amount of the overdue fee and the late payment penalty.

Fee Development & Revenue Collection Unit

L&C is centralizing the generation of monthly license renewals and fee collection process in the new L&C Fee Development & Revenue Collection Unit. Starting on July 1, 2006, all license renewals will be generated and distributed to health facilities and agencies by the Fee Development & Revenue Collection Unit. The payment submission address has been changed on the license renewal form. Effective July 1, 2006, all payments must be mailed to the L&C Fee Development & Revenue Collection Unit at the P.O. Box below:

Department of Health Services

Licensing & Certification

Fee Development & Revenue Collection Unit

MS 3202

P. O. Box 997434

Sacramento, CA 95899-7434

To prevent delays in obtaining the renewed license, all license renewal checks must be mailed to the address above.

It is important to note for license renewals that only the license payment and payment remittance should be mailed to the Fee Development & Revenue Collection Unit. The Fee Development & Revenue Collection Unit will inform the District Offices when the license renewal payments have been made. Health facilities and agencies will continue to send the renewal application forms with facility and ownership information to the responsible District Office. The District Office will continue to be responsible to determine if all licensure conditions (other than fee payment) are met before issuing the license.

If you have any questions on this AFL, please submit your questions to rcollection@dhs.ca.gov. In addition, L&C will publish your questions and answers on the L&C website located on the CDHS website: <http://www.dhs.ca.gov/lnc>.

Sincerely,

Original Signed by Brenda G. Klutz

Brenda G. Klutz

Deputy Director

Attachments

[Attachment A](#) – Licensing and Renewal Fee Schedule FY 2006/2007

[Attachment B](#) – Late Payment Policy